

**MEMORANDUM OF UNDERSTANDING
BETWEEN PALMETTO WASTEWATER RECLAMATION LLC,
AND THE SOUTH CAROLINA DEPARTMENT
OF HEALTH AND ENVIRONMENTAL CONTROL**

June 22, 2011

WHEREAS the South Carolina Department of Health and Environmental Control ("DHEC") is responsible for reviewing requests for transfers of National Pollutant Discharge Elimination System (NPDES) permits in South Carolina; and

WHEREAS, Palmetto Wastewater Reclamation LLC ("PWR") has applied to DHEC for approval of a transfer of NPDES Permits Numbers SC0029483 and SC0029475, held by Alpine Utilities, Inc. ("Alpine") and Woodland Utilities, Inc. ("Woodland"), respectively; and

WHEREAS, Alpine has experienced a number of sanitary sewer overflows ("SSOs") since the issuance of Permit Number SC0029483, which permit expires on September 30, 2014, which SSOs are a source of concern for both DHEC and PWR; and

WHEREAS, based upon a limited investigation performed in the conduct of its due diligence inspections associated with its February 7, 2011, agreement to acquire the assets of Alpine and Woodlands ("APA"), PWR has formed the belief that the causes of the Alpine SSOs will require significant capital improvements to the wastewater collection system ("WWCS") currently operated by Alpine; and

WHEREAS, PWR is willing to begin undertaking the necessary capital investment in Alpine's WWCS following the receipt of all governmental approvals for a transfer of the assets of Alpine and Woodland, including the NPDES permits, but cannot justify such investment if it will become immediately liable for SSOs subsequent to such transfer and before PWR has had a reasonable period of time within which to make such investment and improve the Alpine WWCS; and

WHEREAS, in July of 2008, a discharge of partially treated wastewater into Stoops Creek occurred at Alpine's wastewater treatment plant ("WWTP") which resulted in a fine being assessed against Alpine by DHEC ("Plant Overflow"); and

WHEREAS, as a result of its limited investigation aforementioned, PWR has formed the belief that the Plant Overflow was attributable in part to an extraordinary rain event which eclipsed the inflow capacity of the Alpine WWTP; and

WHEREAS, PWR is also willing to commit to make capital and operational improvements to the Alpine WWTP in order to improve its inflow capacity ; and

WHEREAS, although unrelated to the Alpine WWCS SSOs and WWTP overflow, PWR is further willing to commit to make capital and operational improvements to other aspects of the

wastewater facilities of both Alpine and Woodland in order to improve overall levels of environmental compliance; and

WHEREAS, DHEC believes it to be in the public interest to encourage the transfer of the assets of Alpine and Woodlands to PWR so that, among other things, improvements to the Alpine WWCS and WWTP can be commenced as quickly as possible and thereby improve the likelihood that incidences of SSOs in the Alpine WWCS and overflows from the Alpine WWTP will be reduced; and

NOW, THEREFORE, PWR and DHEC enter into the following Memorandum of Understanding ("MOU"):

1. In its limited due diligence investigation of the Alpine and Woodlands facilities, PWR has identified a number of areas which will require capital investments and increased maintenance and operations expenditures in order to conform to reasonable wastewater utility industry standards. These areas, and the time-frames within which PWR will undertake the necessary investments and expenditures are described in subparagraphs (a) through (d) below.
 - (a) Collection System Lines. Reasonable wastewater utility industry standards contemplate that collection lines will be inspected via camera and cleaned to remove grease, debris and roots that are detected on a periodic basis such that the entire WWCS will be inspected and cleaned over a ten (10) year period. In order to reduce SSOs in the Alpine WWCS, PWR will undertake to camera inspect, clean and repair all lines in the Alpine WWCS over a five (5) year period, with the initial focus and priority being given to work on areas within the Alpine WWCS where SSOs have recently occurred or re-occurred. In addition, PWR will, within the same period, undertake a program of clearing rights of way associated with the Alpine and Woodland WWCSs such that better access to the components of the WWCSs can be had, thus reducing response times to system needs or problems, including SSOs.
 - (b) Manhole Repair. PWR's limited due diligence inspection revealed a number of manholes in both the Alpine and Woodland WWCSs which were collapsing or otherwise in need of repair. PWR will focus on these identified manholes for immediate repair and then repair or refurbish all remaining manholes, if required, in both the Alpine and Woodland WWCSs over a three (3) year period.
 - (c) Alpine Wastewater Treatment Plant. The WWTP operated by Alpine will need a number of improvements in order to ensure continued operation in accordance with the Alpine NPDES permit. These improvements include (i) addition of a second, redundant clarifier, (ii) replacement of the existing bar screen, (iii) addition of a grit collector, (iv) addition of a floating aeration system to allow the WWTP to continue operating during a major rain event, (v) extension of plant walls to increase emergency inflow capacity, and (vi) replacement of the existing chlorination disinfection system with an ultraviolet ("UV") disinfection system and will be completed over an eighteen (18) month period.
 - (d) Woodland Wastewater Treatment Plant. The Woodland WWTP is a lagoon system which will require minimal improvements. However, the berm around the lagoon requires additional maintenance in the way of cleaning and clearing in order to meet


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reasonable wastewater utility industry standards and will be completed over an eighteen (18) month period.

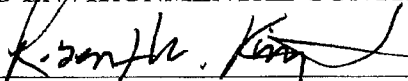
2. PWR will undertake and complete the investments and expenditures described in sub-paragraphs (a) through (d) of paragraph 1 within the stated time-frames for each after receipt of all approvals for and closing of the transfer of the Alpine and Woodlands assets to PWR. PWR will submit a progress report to DHEC with respect to each of the investments and expenditures described in sub-paragraphs (a) through (d) of paragraph 1 every six (6) months until the expiration of the applicable time period. The report shall include a detailed description of the work performed, findings, and proposed activities for the next six (6) month period.
3. It is understood and agreed that, as long as PWR is proceeding diligently and in good faith with the investments and expenditures in the Alpine WWCS and in the Alpine and Woodlands WWTPs in accordance with the provisions of paragraphs 1 a-c and 2 above, DHEC will use appropriate discretion, including waiving imposition of penalties for any enforcement actions, during the time periods set forth therein, for any SSO or WWTP overflow in the Alpine or Woodlands systems associated with the pre-existing conditions of the Alpine WWCS or the Alpine or Woodlands WWTPs. Notwithstanding the preceding sentence of this paragraph 3, should there be such an SSO or WWTP that is attributable to PWR's failure to properly operate, repair or maintain the Alpine WWCS or Alpine/Woodland WWTPs unrelated to any such pre-existing condition, DHEC may exercise its enforcement discretion if so determined appropriate.

WHEREFORE, having fully set forth the understanding of the parties hereto, each sets its hand and seal as of the date first written above.

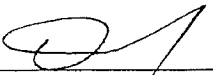
PALMETTO WASTEWATER RESOURCES LLC



By: Ed Wallace
Its: President

**SOUTH CAROLINA DEPARTMENT OF HEALTH
AND ENVIRONMENTAL CONTROL**



By: Robert W. King, Jr., P.E.
Its: Deputy Commissioner
Environmental Quality Control

[Additional DHEC Signatures Follow]


By: David E. Wilson, Jr., P.E. _____ 6-29-11
Its: Bureau Chief _____
Bureau of Water


By: Glenn Trofatter _____ June 29, 2011
Its: Water Pollution Control Division _____
Bureau of Water

Reviewed by:

 6/29/11
Attorney
SC DHEC Office of General Counsel

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IMPORTANT SEWER NOTIFICATION

Your residential area was recently identified as causing obstruction to the sanitary sewer system that serves it due to Fats, Oils and Grease. The sewer treatment provider serving this residential area, Palmetto Wastewater Reclamation, is authorized to take action to prevent sanitary sewer overflows and backups. This notification is provided to you in support of its efforts to prevent such overflows and backups.

Please Prevent Sewer Back-ups and Overflows: *Keep Drains Clear...*

Sewer backups and overflows are often the result of grease buildup, which can lead to costly clean-ups and repairs, as well as environmental and health concerns. Household kitchen drains are one source of fats, oil and grease (better known as FOG), which can come from cooking oils, butter, and meat fats. When FOG is washed down a sink drain, it accumulates in plumbing systems, wastewater collection and transportation systems, and sewer treatment facilities. Grease blockages in the sewer system can cause harmful overflows which pollute area streams and lakes. These overflows are costly to treat and affect future rates for utility customers.

The proper methods for oil and grease disposal in your home are easy to follow. Here are some quick tips to avoid FOG buildup in your plumbing and in the sewer system serving your residential area:

- Use an old coffee can or jar as a grease container.
- Pour greasy or oily food waste into the container, NEVER down the drain, garbage disposal, bathroom sink, toilet or other drains.
- Dry wipe all pots, pans and plates before washing in sink or dishwasher. Use paper towels and wipe grease and food contents into a garbage container.
- Allow animal fats to cool or solidify in the container before scraping the pan or throwing the grease container in the trash.
- Never flush any rags, paper towels or sanitary wipes! These do not dissolve, but contribute to blockages and overflows in the sewer system.

Disposing of cooking oils, grease and rags properly in your residence can help to prevent clogged pipes and grease-related backups in the future. Remember that grease blockages can also cause wastewater to overflow inside your own home and damage private property.

**Do your part to prevent sewer line blockages and
overflows and help prevent pollution of our environment –**

KEEP GREASE OUT!

Thank you from Palmetto Wastewater Reclamation